

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (3/18)
BUTTER: Grade AA closed at \$1.5825. The weekly average for Grade AA is \$1.5825 (+.0592).

CHEESE: Barrels closed at \$1.4450 and blocks at \$1.4800. The weekly average for barrels is \$1.4410 (+.0210) and blocks, \$1.4740 (+.0125).

BUTTER: The cash price at the CME is mixed. Cream supplies remain readily available to butter producers across the country. Cream volumes continue to move into the Central part of the country from Eastern and Western sources. Demand for cream from ice cream operations is slowly building, but it remains on the light side. Current churning activity is keeping pace with demand and surplus is clearing to inventory. Butter inventories are running about 2/3 of what they were last year at this time. Quota imports of butter for the first two months of the year total 2.96 million pounds, this compares to 1.99 million pounds for the same period last year. Imports are at 19% of the annual quota. Imports of High-tier (above quota, with a penalty) butter for the same period total nearly 123,000 pounds compared to slightly more than 23,000 last year. Easter orders have been produced and shipped, although Passover orders remain good. There may be time for some late Easter fill-in orders to occur, but they are anticipated to be minimal.

CHEESE: The cash cheese market is fully steady. Demand is irregular as buyers and producers react to recent market volatility. Current cheddar blocks are about in balance, with barrels more readily available. Processors are trying to stockpile extra processing solids (undergrades) for later use. Mozzarella interest is uneven, typical around the spring break period. Cheese production is steady to generally higher seasonally. The price gyrations have caused some plant operators to reduce spot milk purchases to help balance inventory.

FLUID MILK: Milk production is at or near the peak in Florida and parts of the other Gulf Coast states. Milk output is increasing as the weather improves in the Mid-South and Southwestern parts of the country while holding steady to slightly higher in the northernmost areas. Bottled milk sales are spotty as the traditional spring break time of year gets under way for colleges and many high schools. Surplus milk supplies are readily available in most parts of the country. Demand for the surplus milk varies, but is not as brisk as past weeks. The fluid cream market, though improving, remains relatively weak. Offerings are heavier than many contacts expect for this time of year. Demand for cream from cream cheese and ice cream makers is improving, but at slower than anticipated rates. This is leaving more cream to clear through churning facilities.

DRY PRODUCTS: The NDM market remains firm. Producers report steady to lower output and lighter than normal inventories. Many producers are barely able to meet contractual commitments and have little available for spot sale. Most spot sales are occurring in the resale market. Demand is good as users try to secure enough powder to meet anticipated needs. The dry whey market is little changed again this week. Prices are unchanged in the Eastern two-thirds of the country while higher in the West. A recent export/tender award is clearing more Western and Central whey and firming that portion of the market. The WPC market is firm and prices continue to increase. Supplies are limited for the good spot demand. The dry buttermilk market

is steady to slightly firmer in the West. Demand is fair to improved and production is easing in some parts of the country. The lessening of output is due more because of improved demand for liquid buttermilk rather than a reduction in churning.

CCC: During the week of March 14 - 18, there was no price support activity.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for April 2005 is \$14.13, down \$1.30 from March. This price is derived from the advanced Class III skim milk pricing factor of \$8.35 and the advanced butterfat pricing factor of \$1.7359 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for April is \$7.54 and the Class II nonfat solids price is \$0.8378 per pound. The following are the two-week product price averages: butter \$1.5616, nonfat dry milk \$0.9073, cheese \$1.5140, and dry whey \$0.2485.

MARCH MILK SUPPLY AND DEMAND ESTIMATES (WAOB): The milk production forecast for 2004/05 is decreased slightly from last month. Milk per cow growth is expected to be slightly lower than previously projected. Output for 2005 is estimated to be 173.6 billion pounds, up 1.6% from the previous year. In the face of continued strength in demand, cheese prices are likely to be stronger than previously expected. As a result, forecasts for Class III and all milk prices are raised from last month. Class III prices are forecast higher at \$13.80-\$14.20 and the Class IV price range is tightened to \$12.35-\$12.95. The all milk price is raised to \$14.85-\$15.25 for 2004/05. Production and utilization for 2002/03 and 2003/04 are adjusted to milk production revisions reported by NASS in the February 17 *Milk Production* report.

FEBRUARY MILK PRODUCTION (NASS): Milk production in the 23 major states during February totaled 12.2 billion pounds, down 0.7% from February 2004. However, production was 2.8% above last year after adjusting for the leap year. January revised production, at 13.3 billion pounds, was up 1.5% from January 2004. The January revision represented an increase of 0.2% or 29 million pounds from last month's preliminary production estimate. Production per cow averaged 1,516 pounds for February. The number of cows on farms was 8.07 million head, 23,000 head more than February 2004, but 9,000 head less than January 2005.

FEBRUARY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During February, about 6.9 billion pounds of milk were received from producers. This volume of milk is 24.0% lower than the February 2004 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +2.3%.) About 3.5 billion pounds of producer milk were used in Class I products, 3.2% higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilizations were: Class I = 51%, Class II = 16%, Class III = 17%, and Class IV = 16%. The weighted average statistical uniform price was \$15.16, \$0.47 lower than last month and \$1.94 higher than last year.

*******SPECIAL THIS ISSUE*******

BUTTER AND CLASS III & IV MILK FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 MARCH MILK SUPPLY AND DEMAND (PAGE 9)

FEBRUARY MILK PRODUCTION (PAGE 10)
 FEBRUARY FEDERAL MILK ORDER PRICE & POOL REPORT (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY MARCH 14	TUESDAY MARCH 15	WEDNESDAY MARCH 16	THURSDAY MARCH 17	FRIDAY MARCH 18	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4400 (N.C.)	\$1.4400 (N.C.)	\$1.4400 (N.C.)	\$1.4400 (N.C.)	\$1.4450 (+.0050)	(+.0050)	\$1.4410 (+.0210)
40# BLOCKS	\$1.4675 (N.C.)	\$1.4700 (+.0025)	\$1.4750 (+.0050)	\$1.4775 (+.0025)	\$1.4800 (+.0025)	(+.0125)	\$1.4740 (+.0125)
BUTTER GRADE AA	\$1.5700 (+.0100)	-----	\$1.5950 (+.0250)	-----	\$1.5825 (-.0125)	(+.0225)	\$1.5825 (+.0592)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USD.A.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2. The CME will be closed on Friday, March 25, 2005.

CHICAGO MERCANTILE EXCHANGE

MONDAY, MARCH 14, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.4675; OFFERS UNCOVERED: NONE

BUTTER — SALES: 21 CARS GRADE AA: 1 @ \$1.5950, 1 @ \$1.6000, 1 @ \$1.6025, 1 @ \$1.6000, 2 @ \$1.6025, 1 @ \$1.6000, 1 @ \$1.6025, 1 @ \$1.6000, 3 @ \$1.5900, 2 @ \$1.5925, 1 @ \$1.5825, 2 @ \$1.5800, 4 @ \$1.5700; BIDS UNFILLED: 4 CARS GRADE AA: 3 @ \$1.5600, 1 @ \$1.5400; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.5900

TUESDAY, MARCH 15, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 6 CARS 40# BLOCKS: 1 @ \$1.4700, 5 @ \$1.4675; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 16, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS 40# BLOCKS: 1 @ \$1.4750, 2 @ \$1.4725, 1 @ \$1.4700; OFFERS UNCOVERED: NONE

BUTTER — SALES: 11 CARS GRADE AA: 1 @ \$1.5775, 1 @ \$1.5800, 1 @ \$1.5725, 1 @ \$1.5750, 1 @ \$1.5775, 1 @ \$1.5700, 1 @ \$1.5800, 1 @ \$1.5850, 1 @ \$1.5900, 1 @ \$1.5950, 1 @ \$1.5925; BIDS UNFILLED: 9 CARS GRADE AA: 1 @ \$1.5950, 1 @ \$1.5825, 2 @ \$1.5800, 1 @ \$1.5725, 2 @ \$1.5700, 1 @ \$1.5600, 1 @ \$1.5500; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.6200

THURSDAY, MARCH 17, 2005

CHEESE — SALES: 5 CARS BARRELS: 2 @ \$1.4400, 1 @ \$1.4450, 1 @ \$1.4425, 1 @ \$1.4400; 9 CARS 40# BLOCKS: 6 @ \$1.4750, 2 @ \$1.4775, 1 @ \$1.4750; BIDS UNFILLED: 5 CARS 40# BLOCKS: 1 @ \$1.4775, 4 @ \$1.4750; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 18, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4450; 7 CARS 40# BLOCKS: 5 @ \$1.4800, 2 @ \$1.4775; OFFERS UNCOVERED: NONE

BUTTER — SALES: 20 CARS GRADE AA: 3 @ \$1.5800, 3 @ \$1.5850, 1 @ \$1.5950, 3 @ \$1.5925, 1 @ \$1.5900, 2 @ \$1.5800, 1 @ \$1.5850, 3 @ \$1.5900, 1 @ \$1.5950, 2 @ \$1.5825; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.5825, 3 @ \$1.5800, 1 @ \$1.5700, 1 @ \$1.5600, 1 @ \$1.5500; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.5925, 2 @ \$1.6200

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9500 and Grade A at \$0.9700. (The last price change occurred March 16.) The weekly average for Extra Grade is \$0.9430 (+.0105) and Grade A is \$0.9715 (-.0225).

BUTTER MARKETS

NORTHEAST

The butter market is firm as the cash price at the CME has gained 8 cents in recent trading sessions through Monday, March 14. More producers and handlers are indicating that we have probably seen the low for the year with prices to remain firm for the balance of the year. Cream supplies remain readily available to local and out of area buyers. Class II demand remains light, thus butter producers are able to maintain near capacity production schedules. Some butter producers do indicate that cream cheese producers are a little more active in the market as they prepare for the upcoming Easter/Passover holidays. Stocks of butter are readily available for current needs. Butter sales have been good during recent weeks which have cleared a significant portion of current production with surplus clearing to inventory. Easter orders have been filled and shipped with some last minute fill-in orders still being reported. With Easter and Passover a month apart this year, butter producers and handlers indicate that orders remain good for Passover needs. Sales of bulk butter f.o.b. East, are reported in a range of 2.0 cents under to 3.0 cents over the CME price/average.

CENTRAL

Butter markets are firm as the CME cash price continues to increase. Producers and handlers indicate that cream offerings remain heavier than anticipated, although they are lighter from outside sources than a few weeks ago. Churning activity in the Central part of the country remains quite strong. Current churning schedules are keeping pace with demand with surplus butter clearing to inventory. Butter orders have slowed now

that most Easter orders have been shipped, but remain good for Passover. Handlers report that Easter fill-in orders are occurring, although lighter than in past years. Food service orders have been strong, but have also tapered off. Bulk butter for spot sale is being reported in the 2 – 4 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME were lower early last week and more than recovered those losses later in the week. This week, butter prices continued to firm. Easter orders have been produced and shipped. There may be time for some late fill in orders to occur, but they are anticipated to be minimal. Contacts look at the sales activity for this holiday period to be improved sharply in the last week to ten days. Cream offerings to butter manufacturers remain relatively heavy and butter is available for immediate shipment. Demand for cream from ice cream operations is slowly building, but it remains on the light side. Quota imports of butter for the first two months of the year total 2.96 million pounds, this compares to 1.99 million pounds for the same period last year. Imports are at 19% of the annual quota. Imports of High-tier (above quota and with a penalty) butter for the same period total 122,700 pounds compared to 23,300 last year. CME weekly butter stocks increased by 420,000 pounds last week, the smallest increase of 2005. Stocks now stand at 65.1 million pounds compared to 95.4 million pounds last year in week eleven. Bulk butter prices range from flat to 3 1/2 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	40# BLOCKS	CHEESE 38% MOISTURE	NDM	BUTTER	DRY WHEY
		BARRELS			
MARCH 12	1.5326	1.5085	0.9095	1.5425	0.2465
	8,401,338	10,234,405	21,994,775	3,302,356	11,629,785

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mostly lower as the substantial declines on the CME during the week ending March 7 exceeded the slight rebound in the average price last week. The lower prices have lead many buyers to time their orders to buy around the low. Cheese production in the region is increasing seasonally, particularly where schools are out on break. Food service and retail accounts are trying to finish preparations for the upcoming holiday weekends.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5275-2.0425
Cheddar Single Daisies	:	1.4850-1.9600
Cheddar 40# Block	:	1.6025-1.8575
Process 5# Loaf	:	1.6300-1.8375
Process 5# Sliced	:	1.6500-1.8650
Muenster	:	1.7000-1.9025
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to steady. Cheese buyers and sellers are trying to anticipate what direction the cheese market will go next with most just hoping for some short term stability. Orders are irregular as a consequence of recent market price peaks and valleys. Anticipated holiday orders have been shipped. Cheddar block demand is moderate to good with supplies in close balance. Barrel supplies are more readily available, at least from some locations, and interest is generally fair. Process movement is fairly steady with little of the usual spring pickup (warmer weather) in demand noted. Mozzarella interest is spotty with supplies readily available from some producers while others are in better shape as March and uneven pattern of spring breaks affects demand for some operations and not others. Overall cheese production is steady to slightly higher seasonally. Cheese yields are typically steady to lower.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6200-1.9900
Brick And/Or Muenster 5#	:	2.0000-2.0150
Cheddar 40# Block	:	1.8175-2.2650
Monterey Jack 10#	:	2.0550-2.2650
Blue 5#	:	2.3100-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7600-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.9000

**WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS**

	BUTTER	CHEESE
	:	:
03/14/05	36,232	: 126,739
03/01/05	34,291	: 124,686
CHANGE	1,941	: 2,053
% CHANGE	6	: 2

WEST

Average cash prices at the CME cheese market fell sharply last week and are now in the neighborhood of current cash prices in the mid-1.40's. Buyers are much more comfortable with the current price relationships and are back to making regular purchases to cover ongoing needs. A number of contacts are stating that sales activity ranges from steady to improved. Some buyers are aggressively looking for additional cheese. The Swiss market supply in the region is on the tight side and sales activity is reported as good. Mozzarella sales have improved and stock levels are declining more rapidly. Most aged product has now cleared out of freezers. Demand for processing solids is improving more rapidly and prices are much higher. Buyers are making current purchasing decisions based on the possibility of higher summer average cheese prices. Cheese production levels are at or slightly above expectations. Cheese inventories have come down more rapidly recently and inventories are being held with more confidence. Quota imports of cheese for the first two months of the year total 45.6 million pounds. This compares to 31.6 million pounds for the same period last year. Imports are at 15% of the annual total. Imports of High-tier (above quota with a penalty) cheese for the same period total 3.37 million pounds, down 13% from last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5725-1.8300
Cheddar 40# Block	:	1.5825-1.9350
Cheddar 10# Cuts	:	1.7625-1.9825
Monterey Jack 10#	:	1.7725-1.9325
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Domestic cheese prices are unchanged to sharply lower with imported unchanged. Current interest is seasonal. Imports of cheese subject to licensing during the first 2 months of 2005 total 1,531,084 Kg, down 13.1% from the same period in 2004. American-type imports total 474,184 Kg, about half the total in 2004.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6900	: 1.8425-3.3425*
Gorgonzola	: 3.6900-5.9400	: 2.3525-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2575-3.3625*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.8450-2.0775*
Romano (Cows Milk)	: -0-	: 3.0375-5.2025*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	182	0	125	0	125
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is holding near peak levels in Florida and volumes exported to other states were heavier this week. Snowbirds continue to leave Florida to work their way home ahead of spring break activities in many locations. Some much needed precipitation in Florida has not added undue stress on cows and helped to green up many locations. Milk intakes continue to increase, most notably in parts of the Gulf Coast as well as in Georgia and Tennessee. Class I sales are often softer where schools are out on spring break. Southeastern balancing plants are operating at about 75% of capacity. Increases in plant fluid intakes are also occurring in the Middle Atlantic area. In the Northeast, plant intakes are steady to higher seasonally. Manufacturing schedules are steady to heavier. Class I interest is mixed, depending on where recent storms hit and temporarily closed schools or preparing for holiday products such as dips and whipped and sour cream. Milk supplies are about in balance with cream interest improving and multiples creeping higher. Cream interest was uneven, good late last week and early this week but slower around midweek. Cream cheese demand is good and ice cream demand fair to good for cream. Some improvement was noted in Class III condensed orders where users are unable to acquire or are trying to inventory needed NDM supplies for later in the year. Class II condensed skim interest remains steady at good levels. Production of holiday items is still solid.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.8737-2.0869
DELIVERED EQUIVALENT ATLANTA	-	1.8889-2.1022 M 1.9041-2.0412
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.8432-1.9803

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9800-1.0100
NORTHEAST- CLASS III - SPOT PRICES	- 1.1200-1.1600

M I D W E S T

Class I interest is steady to often lighter, though with some irregularity. Some operations are anticipating next week's demand to be good early as final preparations are made on holiday items including dips, whipped, and sour cream; slower late in the week. Manufacturing milk interest is very slow as would be milk buyers are reluctant to make commitments with cheese prices moving sharply higher and lower. Growing cheese plant inventories are also a concern at some locations. This may impact surplus milk sales during the next 2 weeks when most schools are out on spring/holiday breaks. Very few actual manufacturing milk sales were reported with a price range of around \$1.25 - 1.45 over class. More handlers received offers of under class prices that were rejected. Ice cream production is steady to generally heavier. Some additional producers are adding lines or just trying to step up production ahead of summer. Ice cream orders are also improving. Cream supplies still remain heavier than normally expected for March. Some in the industry were a bit surprised by the general strength in milk production estimates through much of the upper Midwest. Current milk intakes are steady to slightly higher through the mid and upper part of the region. Estimated February milk production in selected Midwestern states compared with February 2004 (adjusted to 28 days) is: Wisconsin, 1.715 billion pounds, up 26 million pounds (1.6%); Minnesota, 639 million pounds, up 4 million pounds (0.6%); Michigan, 502 million pounds, up 23 million pounds (4.8%); Iowa, 295 million pounds, down 4 million pounds (-1.4%); and Indiana, 233 million pounds, up 14 million pounds (6.3%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MARCH 10 - 16	PREVIOUS YEAR
SLAUGHTER COWS	\$ 52.00- 60.50	\$ 47.00- 52.00
REPLACEMENT HEIFER CALVES	\$380.00-690.00	\$300.00-575.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MARCH 10 - 16	PREVIOUS YEAR
SLAUGHTER COWS	\$ 55.00- 64.25	\$ 46.00- 53.50

W E S T

Milk production for the 23 surveyed states totaled 12.2 billion pounds in February, up 2.8% from the comparable number of days in February 2004 (the leap year issue). Cow numbers have fallen for five consecutive months and are 30,000 head behind the peak recorded last September in the current cycle. Production per cow was very strong last month, up 2.6% from last year adjusting out the extra day. This is the largest year to year gain for any month since August 2002. Production per cow in the seven Western states surveyed was higher in all but Arizona and New Mexico. Milk production compared to last year (adjusting out the extra day) for the seven Western states is as follows: Arizona +2.9%, California +3.2%, Colorado +4.8%, Idaho +9.8%, New Mexico -4.5%, Oregon +3.0%, and Washington +3.1%. The April 2005 Class 1 prices in CALIFORNIA range from \$15.74 in the north to \$16.02 in the south. The statewide average Class 1 price based on production is \$15.80. The average is \$0.33 lower than March 2005 and \$0.03 less than April 2004. The general higher trend in milk production across most of the state continues. Another trend is that seasonal fat and protein levels are declining. Bottled milk sales are steady to lower across the state with many bottling accounts taking less milk than expected. Some are placing less milk into schools on spring breaks, but retail orders are also off. The southern producing region is drying out from wet conditions and seeing milk volumes increase. Plant receipts are trending higher. With good weather conditions, milk production is moving higher across the Central Valley. Early green chop is being fed to cows which should boost output in the short term. Some plants are down for scheduled maintenance, but other plants are willing to take the extra milk. There are future concerns about hay availability and pricing with some expectation that these could be tight and expensive with competition from other states. Milk output in ARIZONA is moving higher and expected to near the seasonal peak. The level of the peak is unclear as cows are still recovering from recent wet conditions and dampened production levels a few weeks ago. Weather conditions have improved with temperatures pushing the upper 80's, before tempering at mid week in the 70's. Solids in milk are declining. Bottled milk interest slowed this week after good sales last week. NEW MEXICO milk production is steady to trending higher seasonally at levels 4 to 5% below last year. The effects of wet weather over the last six months continue to impact the cows in the state. Recent snow hit part of the state but did not affect milk pickup or transportation. Bottling needs are lower due to school breaks, but milk is being absorbed into manufacturing plants. Some additional milk is being moved to the Southeast. CREAM prices are mixed following the butter price volatility at the CME. Overall, there remains heavier than expected volumes of cream available on the market ahead of the Easter holiday demand for butter and cream based items. Cream volumes are higher than expected entering the churns. Ice cream production is slow to materialize beyond contracted volumes. The CME butter Grade AA price was \$1.5950 on March 9, up 7.50 cents from a week ago. Multiples are up slightly and range 110 to 124 FOB, and vary depending on basing points and class usage. Conditions remain good for milk production in the PACIFIC NORTHWEST. Some producers are reporting that they are seeing the start of a flush period. Others believe it is a ways off yet. Fat and protein tests are moving lower. Hay supplies are disappearing fast as buyers hear the drought advisories and try to do what they can to cover their future needs. Prices are firm and quality is not as important a consideration at this time. Higher grain prices this week are causing some concern about higher feed prices this summer. Cull cow prices are sharply higher and some dairymen are using this opportunity to get rid of some of their low end problem cows. It is the time of the year that operating loans are renewed and producers are expecting fewer problems this year than some of the past few years. Parts of the UTAH and IDAHO region are experiencing the start of the spring season, but this is still not the case in the Cache Valley region of Utah. Winter-like conditions continue to hold on. Hay in stacks and sheds is fast disappearing in the region as drought conditions persist in states encircling this area. Milk output ranges from steady to somewhat heavier. Heifer prices are firm.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a firm market. Most trade continues to occur on a contractual basis. Resale trades are noted mostly on the high side of the range. Buyers in need of additional direct manufacturer supplies are most likely to source NDM from the West where shipment delays of more than a month are noted. Production is steady to higher in response to increased milk intakes at some locations. Producers are generally content in accumulating a few loads for potential in-house manufacturing needs or to satisfy contractual commitments during the hot summer months. Off grade supplies are limited for the good feed interest.

EAST: The market tone remains firm. Prices are unchanged to fractionally higher. Production is steady to lighter. Surplus milk volumes remain moderate, but demand for condensed skim is improving in more areas. Contacts state that the supply of NDM is tighter than expected for this time of year. With many in the market expecting the NDM market to remain firm all year, traders, users, and speculators are all trying to build some inventory. This is pushing prices and demand. However, recent trading of NDM at the CME (rarely a market/price indicator) indicates that some in the trade want to see the CME's prices and the "real market" price a little more comparable. Producer stocks are light and some Eastern producers have barely enough powder on hand to meet near-term needs. There is growing concern about late summer, early fall availability.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .9175 - 1.0100 MOSTLY: .9475 - .9575
 HIGHHEAT: .9525 - 1.0950

NONFAT DRY MILK - WEST

The Western low/medium NDM range is slightly higher while the mostly series is unchanged. The general trend is higher for the market prices as the basing point for most sales is trending higher with changes noted from 2 to 3 cents since the start of 2005. Domestic buyers often have to wait weeks to get contract loads and additional loads have even longer waits. Export demand is still good and volumes of both NDM and SMP are moving. Sales are expected to keep supplies committed through mid to late April. Current production levels are steady to higher and reflect local milk supplies. More condensed is moving to cheese producers. Stocks remain light to moderate but mainly sold. High heat prices are unchanged and the market tone is steady to firm. Demand is slightly higher from seasonal accounts. Supplies are available for most needs and often being filled from inventories.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8950 - .9800 MOSTLY: .9100 - .9400
 HIGHHEAT: .9350 - .9700

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 11	\$.8975	10,914,127	0
March 4	\$.8933	11,166,608	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a firm market. Production is steady with condensed buttermilk clearing well into ice cream facilities and dryers on regular contracts. Producers are content with accumulating a few loads in order to secure adequate supplies during the expected hot summer months. Export inquiries are noted as buyers are seeking alternative sources of protein in light of the limited supplies of NDM. Trade activity is light with most movement noted on contracts.

F.O.B. CENTRAL: .9450 - 1.0100

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady and the market tone remains firm. Dry buttermilk output is easing slightly as ice cream output starts to increase. Many ice cream makers prefer liquid/condensed butter milk, which leaves less to dry. Churning activity is moderate and still heavier than many expected for this time of year. Producer stocks remain balanced and demand is fair to good.

F.O.B. NORTHEAST: .9300 - .9700
 DELVDSOUTHEAST: .9600 - .9900

DRY BUTTERMILK - WEST

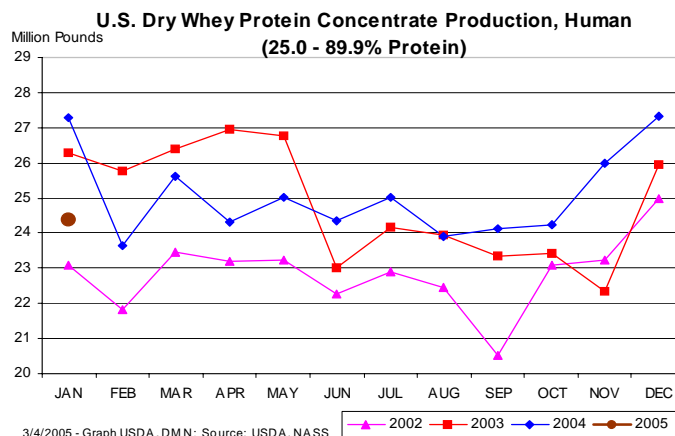
Western dry buttermilk prices continue to trend slightly higher. The market undertone is steady to firm. Demand is fair to good for current offerings. Buying interest from ice cream accounts has been slow to develop, but there are positions being taken by both end users and brokers. There is also underlying support from the tight protein markets for other powders. Production levels have kept pace with the active butter production in the region. Drying times have been available to handle any extra.

F.O.B. WEST: .9200 - .9800 MOSTLY: .9300 - .9500

DRY WHOLE MILK - NATIONAL

Prices are unchanged to higher as a few producers adjust their prices to the increases in the CME cash butter market during the last two weeks. Production levels are steady at moderate levels. However, there is some firmness noted in the market. Reports that less dry whole milk will be available from other countries this year have industry contacts thinking that international buyers may start looking to the U.S. for powder. Current demand is fair to good and prices remain nominal.

F.O.B. PRODUCING PLANT: 1.2775 - 1.3600



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Dry whey prices are unchanged on a mixed market. Some traders are reporting a firm market with reported sales for second quarter at higher prices. Producers are reporting steady prices, production and inventories. Buyers indicate that multiple loads are available. Demand is generally not aggressive from domestic buyers despite the disparity between Central and Western whey markets and the per unit of protein price differences between whey and WPC. Export inquiries are noted, predominantly from South American nations. Overall, market movement in the second quarter will be largely dependent on whether producers and traders adequately secure contracts similar to first quarter.

F.O.B. CENTRAL: .2375 - .2525 MOSTLY: .2400 - .2450

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices and the market tone are steady. Eastern producers continue to report steady to slightly heavier output. Dry whey supplies are light at the producer level, moderately available at the wholesale level. Traders have sufficient quantities under contract, but same would like a little more just in case demand takes off and/or prices start to increase. Demand is generally steady with export interest holding at fair to good levels.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650
DELVD SOUTHEAST: .2700 - .2825

DRY WHEY - WEST

The Western whey market is showing more strength than has been seen in quite a while. Some contacts believe the sales last week into the Japanese tender at market prices indicates how tight world supplies are. Because of that realization, some sellers are becoming more aggressive in their pricing strategy. Buyers are also realizing that supplies are on the tight side, there are waiting buyers for most of the current production, and inventories are very light. The tighter whey market fits in with the rest of the dairy protein complex being tight domestically and for most of the rest of the world. There is little competition from other countries with whey and it is even hard to find other dairy products to substitute. Some in the market are surprised to see this much strength as the spring flush approaches, but concede that this may not be a normal historical year.

NONHYGROSCOPIC: .2600 - .2950 MOSTLY: .2650 - .2775

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher and nominal. Supplies are limited. Buyers are generally not aggressive in purchasing milk replacer quality whey yet traders are able to clear a few loads when available. Veal and early weaned pig prices are generally trending higher.

F.O.B. CENTRAL:
MILK REPLACER: .2100 - .2375

As of March 2, 2005, Dairy Market News is temporarily suspending efforts to report a Dry Whey Permeate Market on April 8, 2005. Dairy Market News will continue to review pricing, industry specifications for Dry Whey Permeate and other dry dairy products in order to provide current, unbiased information to both buyers and sellers in the trade.

Commencing Report 15 (April 8, 2005), Dairy Market News will be reporting the Animal Feed Whey-Central Milk Replacer price series and comment will be incorporated into the Dry Whey Central report. The Dry Whey Central Extra Grade price series will remain unchanged.

Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708, Email: DonaldO.Nelson@usda.gov, Phone: 608-224-5079, Fax: 608-224-5078

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Increased spot activity is noted compared to the week prior. However, supplies available for the spot market are extremely limited with resale trades also difficult to find. Interest is noted from both domestic and export buyers. Some Canadian WPC 34% is being traded into the US at premiums to the market. Canadian feed facilities are reportedly being offered supplies from EU WPC producers. Domestic feed buyers are searching for supplies of WPC 80% to displace WPC 34%. End product demand at some milk replacer operations is reduced due to the increased cost of dairy products and noted decreases in veal calves. Off grade supplies are limited for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .7625 - .8225 MOSTLY: .7625 - .7975

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a mostly steady market. Negotiations for the second quarter are commencing. Producers of brand specific or higher mesh lactose are offering at higher prices whereas others are aiming for steady prices. Competition is noted in the Asian market. With reduced NDM output in Oceania, less lactose is required for standardization, encouraging offerings of Oceania lower mesh size lactose in the Asian market at very competitive prices. Some Oceania lactose as well as US lactose is moving into the EU. US lactose production is steady. Spot interest is light and reported within the range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1600 - .2100 MOSTLY: .1600 - .1900

CASEIN - NATIONAL

Casein markets and prices remain firm. Traders and handlers continue to indicate that supplies are in very close balance to often short of full needs. Oceania production is on the down side of the season, thus suppliers do not foresee any significant supply changes from that region. European production is just getting underway for the season and it is too early to project what the season will generate. At this point, producers indicate that early season production schedules are developing well. During the week, the Commodity Credit Corporation (CCC) issued invitation #040 to sell approximately 4 million pounds of government owned nonfat dry milk for the production of casein/caseinate. CCC announced that 4,021,312 pounds of powder were sold to the trade at \$0.5325 per pound. The government has now sold slightly more than 50 million pounds of powder for this purpose at prices ranging \$0.2200 - 0.5325 per pound since June 2002.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.3000
ACID: 3.2700 - 3.3500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production patterns are little changed. Demand is slow to fair and the market is still highly competitive. Producer stocks are building, which is typical for this time of year.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURESSelected settling prices, (open interest), and volume 1/

Month	03/02	03/03	03/04	03/07	03/08	03/09	03/10	03/11	03/14	03/15
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
FEB 05	14.70 (3847) 0	14.70 (3360) 1	14.70							
MAR 05	14.53 (4396) 505	13.90 (4400) 332	14.01 (4279) 223	14.00 (4208) 48	13.97 (4203) 24	14.01 (4162) 38	14.11 (4097) 163	14.06 (4090) 14	14.05 (4016) 7	14.05 (3995) 10
APR 05	14.90 (3237) 471	14.15 (3219) 610	14.21 (3196) 174	14.05 (3214) 237	14.00 (3159) 125	13.96 (3125) 123	14.20 (3112) 60	14.07 (3104) 41	14.07 (3107) 91	14.20 (3087) 152
MAY 05	14.40 (2624) 289	13.83 (2608) 333	14.25 (2585) 73	14.17 (2666) 221	14.13 (2656) 65	14.12 (2660) 73	14.36 (2655) 33	14.40 (2653) 26	14.42 (2671) 47	14.55 (2675) 32
JUN 05	14.19 (2354) 318	13.80 (2325) 81	14.15 (2296) 95	14.15 (2281) 93	14.27 (2301) 75	14.22 (2295) 40	14.45 (2297) 43	14.40 (2295) 41	14.46 (2306) 40	14.55 (2342) 86
JUL 05	14.73 (2108) 27	14.55 (2111) 34	14.65 (2106) 11	14.61 (2104) 16	14.55 (2096) 9	14.50 (2109) 90	14.77 (2110) 4	14.70 (2110) 0	14.70 (2119) 9	14.75 (2146) 55
AUG 05	14.92 (2233) 19	14.65 (2239) 46	14.84 (2255) 34	14.87 (2256) 16	14.94 (2249) 21	15.09 (2259) 21	15.05 (2266) 16	15.00 (2266) 1	14.99 (2273) 8	14.99 (2301) 61
SEP 05	14.95 (2162) 27	14.69 (2173) 56	14.93 (2173) 23	14.90 (2174) 1	14.93 (2180) 39	15.00 (2183) 16	15.10 (2186) 9	14.95 (2195) 49	14.99 (2200) 5	14.99 (2223) 68
OCT 05	13.80 (1383) 30	13.63 (1412) 32	13.80 (1417) 21	13.75 (1417) 1	13.90 (1420) 31	14.35 (1425) 19	14.35 (1425) 3	14.20 (1401) 25	14.20 (1401) 5	14.20 (1426) 37
NOV 05	13.29 (1099) 10	13.26 (1134) 36	13.35 (1121) 40	13.35 (1121) 1	13.45 (1116) 37	13.75 (1116) 9	13.75 (1116) 0	13.75 (1101) 21	13.70 (1101) 5	13.70 (1102) 14
DEC 05	12.98 (991) 14	12.98 (1016) 26	12.98 (1017) 21	12.98 (1017) 9	13.10 (1024) 35	13.48 (1024) 18	13.48 (1024) 1	13.40 (1024) 6	13.40 (1024) 5	13.40 (1024) 12
JAN 06	12.90 (129) 0	12.90 (154) 46	12.90 (154) 6	13.00 (163) 23	13.05 (171) 11	13.10 (171) 0	13.10 (176) 6	13.10 (177) 1	13.06 (174) 7	13.06 (176) 5
FEB 06	12.95 (102) 0	12.95 (130) 36	12.95 (127) 3	13.00 (125) 23	13.00 (128) 3	13.00 (128) 0	13.00 (143) 20	13.00 (144) 1	13.00 (147) 19	13.00 (150) 5
MAR 06	12.95 (77) 1	12.90 (97) 21	12.90 (97) 1	12.95 (93) 21	12.95 (93) 0	12.95 (94) 1	12.95 (109) 20	12.95 (110) 1	12.95 (110) 0	12.95 (116) 9
APR 06	12.95 (69) 4	12.95 (83) 15	12.90 (84) 5	12.95 (88) 21	12.95 (88) 0	12.96 (88) 0	12.96 (90) 11	13.00 (91) 1	13.00 (92) 1	13.01 (95) 5
MAY 06	12.95 (70) 6	12.95 (77) 11	12.95 (82) 10	12.95 (79) 8	12.95 (79) 1	12.95 (79) 0	12.95 (84) 5	12.95 (84) 1	12.96 (83) 3	13.01 (85) 5
JUN 06	13.05 (46) 0	13.05 (56) 10	13.05 (63) 6	13.05 (59) 8	13.05 (59) 0	13.05 (61) 5	13.10 (62) 6	13.10 (63) 1	13.10 (63) 0	13.10 (66) 5
JUL 06	13.10 (50) 9	13.10 (50) 10	13.10 (56) 6	13.10 (63) 8	13.10 (63) 0	13.10 (63) 0	13.10 (68) 5	13.10 (68) 1	13.10 (68) 0	13.10 (70) 2
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
FEB 05	13.00 (10) 0	12.95 (10) 0	12.74							
MAR 05	13.10 (7) 0	13.10 (7) 0	13.10 (7) 0	13.10 (7) 0	13.10 (7) 0	13.10 (7) 0	13.10 (7) 0	13.00 (7) 0	13.00 (7) 0	13.00 (7) 0
APR 05	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0	13.20 (8) 0
MAY 05	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0
JUN 05	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0	13.20 (5) 0
SEP 05	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0
OCT 05	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0
NOV 05	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0	13.80 (22) 0
CME - BUTTER FUTURES -- Cents per pound										
MAR 05	155.25 (192) 9	157.00 (183) 10	155.25 (186) 4	150.00 (176) 7	153.00 (180) 16	154.00 (176) 2	154.00 (168) 20	157.00 (159) 7	160.00 (100) 1	160.00 (96) 1
MAY 05	159.00 (251) 10	157.75 (249) 13	155.00 (251) 8	152.75 (259) 12	157.25 (268) 19	158.00 (278) 11	155.05 (285) 9	160.00 (289) 4	159.00 (293) 7	160.50 (294) 5
JUL 05	161.00 (220) 13	161.00 (219) 5	159.00 (226) 9	155.00 (227) 8	159.00 (231) 8	159.00 (238) 8	158.00 (243) 8	162.50 (245) 6	161.00 (247) 4	162.00 (248) 2
SEP 05	161.00 (129) 9	161.00 (131) 2	160.00 (135) 7	155.50 (136) 1	157.00 (138) 2	158.00 (142) 4	160.00 (142) 3	160.00 (144) 3	160.00 (146) 5	163.00 (146) 0
OCT 05	161.00 (71) 4	160.00 (74) 3	159.75 (78) 4	156.75 (79) 1	157.00 (80) 2	156.00 (82) 3	160.00 (82) 0	160.00 (84) 2	160.00 (85) 1	162.00 (86) 1

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered March 7 - 18, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: The milk production quota year end nears and reports indicate that overall milk output during the April 2004 - March 2005 year is trailing the previous year. Milk volumes in Germany and Italy appear to be ahead of quota levels with most other country volumes within limits. Milk producers and handlers are aware of this lagging trend, but are very optimistic that production during the new year will be back to quota volumes. At this point, milk receipts at plants are increasing, thus milk handlers state that the new season is off to a positive start. A cold winter is causing some concern about pasture conditions and the potential for delayed growth, although producers indicate that it is still premature to get overly anxious about this possibility. A strong Euro against the U.S. dollar continues to slow international sales activity. Some traders report that they are able to put together small lot sales, but report minimal sizable orders. Many European traders are awaiting the outcome of a recent inquiry for skim and whole milk powder for second quarter delivery. Traders feel that Europe is a strong potential source for this need, but also state the powder for recent international needs has been sourced out of the U.S. European traders and handlers continue to feel that intervention offerings during the open season will be light. During the first 10 days of the open season, 946 MT of skim milk powder and 1,984 MT of butter have been offered to intervention.

BUTTER/BUTTEROIL: European butter markets remain firm. A strong Euro against the U.S. dollar is making sales negotiations difficult. Traders and handlers feel that a firm Euro will continue, thus potentially impacting sales. Many European suppliers and traders feel that European produced butter will be in great demand during the upcoming production season due to limited supplies from other international sources. Intervention is now open for butter and for the first 10 days of the open season, nearly 2000 MT of butter have been offered. Producers and handlers feel that butter will clear to intervention during the open season, but the total volumes will not be as high as recent years.

82% BUTTERFAT:	1,850 - 2,050
99% BUTTERFAT:	2,350 - 2,600

SKIM MILK POWDER (SMP): Skim milk powder markets are basically steady at unchanged prices. Traders and handlers indicate that sales negotiations are limited. Some small lot sales are being finalized, but no sizable volumes are clearing Europe. Traders are waiting to hear what result might develop from a significant buyer inquiry for second quarter delivery. Intervention for skim milk powder opened on March 1. For the first 10 day, nearly 1000 MT of powder have been offered with most of this coming from German producers. Producers and handler anticipate that some volumes will clear to the program, but most feel that the 109,000 MT open season ceiling will not be attained.

1.25% BUTTERFAT:	2,100 - 2,250
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WHOLE MILK POWDER (WMP): Whole milk powder markets are firm with prices unchanged to higher. Stocks of powder are available for immediate shipment as producers and handlers attempt to clear their warehouses in preparation for the upcoming production season. Some small lot sales are being reported for near term shipment. Traders and handlers indicate that sales are currently slow, but anticipate more activity after the Easter holiday.

26% BUTTERFAT:	2,225 - 2,325
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SWEET WHEY POWDER: Whey powder markets remain firm. Stocks of whey powder are available for immediate shipment. As the new milk production season gets underway, cheese production will also be increasing, thus additional whey volumes. Under the recent Japanese whey tender, some volumes of whey were sourced from Europe with other volumes sourced from North America.

NONHYGROSCOPIC:	550 - 650
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EASTERN EUROPEAN OVERVIEW: Reports indicate that milk production is on the increase in Eastern Europe. For most of the new EU member countries, their milk volumes are lighter than last year, but producers and handlers are looking forward to the new season with optimism. Stocks of manufactured dairy products are available, but limited at this time. Suppliers are clearing warehouses to prepare for the new season which is just getting underway. Sales activity remains light.

OCEANIA

OCEANIA OVERVIEW: Milk production continues to edge lower in both New Zealand and Australia. Milk output in New Zealand continues to trail last season between 3 - 4%. Milk producers and handlers still remain optimistic that the second half of the season will generate additional volumes to help make up the deficit of the first half. As milk volumes decline, reports indicate that the last half of the season is not negative, but milk output is not as strong as hoped. In Australia, milk volumes are also trailing last season, although the margin between the two years is narrowing. For the first seven months (July - January) of the current milk production season, milk output is 0.7% behind last year. In Victoria, Australia's major milk production state, production has been positive for the past two months in comparison to last year. Milk producers and handlers are hopeful that this trend will continue and, at least, generate enough additional milk to bring the country's total for the year back in line with last year. Stocks of manufactured dairy products remain in very close balance to short of full needs. Some suppliers and traders are looking to outside sources to acquire additional stocks to fulfill their commitments. As the milk production season winds down, many Oceania manufacturers are looking at their milk volumes versus product mix. Some adjustments are being made to make best use of the declining supply. When possible, reports indicate that cheese and whole milk powder production appears to be getting the major share of milk diversions with butter/skim milk powder, especially butteroil, losing ground.

BUTTER: Oceania butter markets remain firm. Churning activity is declining seasonally with some producers and handlers indicating that milk is being diverted away from some products and being re-directed toward products of more need or better returns. Butter, especially butteroil, production in Australia is down significantly when compared to last season at this time. Current stocks of butter in both Australia and New Zealand are in very close balance and often short of full needs. Traders and handlers remain optimistic about having sufficient volumes of butter to acknowledge commitments and feel that they will not have any additional volumes for spot buyers by the end of the production season.

82% BUTTERFAT:	2,025 - 2,400
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CHEDDAR CHEESE: Oceania cheese markets are firm with prices unchanged to slightly higher. Cheese demand remains strong, thus late season milk volumes, when possible, are being directed toward cheese production. Stocks of cheese are reported to be in close balance for commitments. As with most other manufactured dairy products in the Oceania region, cheese stocks are equally tight and limited to known buyers with minimal volumes, if any at all, available for spot sales.

39% MAXIMUM MOISTURE:	2,650 - 3,000
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SKIM MILK POWDER (SMP): Skim milk powder markets are firm. Prices are basically holding steady. Stocks of powder are in close balance and often short of full needs. Traders report that some Oceania suppliers are looking to outside sources for additional volumes of powder for commitments. No new sales are being reported out of the region with a very large percentage of seasonal production fully committed. Producers and handlers indicate that they do not foresee any powder available at the end of the season for spot or additional buyer interest.

1.25% BUTTERFAT:	2,150 - 2,300
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WHOLE MILK POWDER (WMP): Whole milk powder markets remain firm, although prices have adjusted slightly lower on the top of the reported range. Handlers and traders report that when possible, milk volumes are being directed toward whole milk production as the milk production season winds down. Stocks remain in very close balance and are often short of full needs. Some Oceania suppliers are looking to outside sources for additional supplies, but report that surplus international supplies are also limited. Whole milk demand continues to center around regular and ongoing customer needs.

26% BUTTERFAT:	2,150 - 2,350
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Exchange rates for selected foreign currencies: March 14, 2004

.8289 Canadian Dollar	.0230 Indian Rupee
.3425 Argentina Peso	.7381 New Zealand Dollar
.0896 Mexican Peso	.7873 Australian Dollar
.3336 Polish Zloty	.0095 Japanese Yen
	1.3370 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0896)= 11.1607
That is 1 US Dollar equals 11.1607 Mexican Pesos. Source: "Wall Street Journal"

MARCH MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecast for 2004/05 is decreased slightly from last month. Milk per cow growth is expected to be slightly lower than previously projected. In the face of continued strength in demand, cheese prices are likely to be stronger than previously expected. As a result, forecasts for Class III and all milk prices are raised from last month. Class III prices are forecast higher at \$13.80-\$14.20 per cwt. and the Class IV price range is tightened to \$12.35-\$12.95 per cwt. The all milk price is raised to \$14.85-\$15.25 per cwt. for 2004/05. Production and utilization for 2002/03 and 2003/04 are adjusted to milk production revisions reported by NASS in the February 17 *Milk Production* report.

Item	2002/03 1/	2003/04 Estimated 1/		2004/05 Projected 1/	
		February	March	February	March
SUPPLY		BILLION POUNDS			
BEGINNING COMMERCIAL STOCKS 2/	11.2	11.0	11.0	9.9	9.9
PRODUCTION	170.5	170.1	170.4	172.9	172.7
FARM USE	1.1	1.1	1.1	1.0	1.0
MARKETINGS	169.4	169.1	169.3	171.9	171.7
IMPORTS 2/	5.0	5.4	5.4	5.0	4.9
TOTAL COMMERCIAL SUPPLY 2/	185.6	185.4	185.7	186.8	186.5
USE					
COMMERCIAL USE 2/ 3/	173.3	175.5	175.8	177.6	177.3
ENDING COMMERCIAL STOCKS 2/	11.0	9.9	9.9	9.2	9.2
CCC NET REMOVALS:					
MILKFAT BASIS 4/	1.2	-0.1	-0.1	0.0	0.0
SKIM SOLIDS BASIS 4/	8.8	2.0	2.0	0.3	-0.2
		DOLLARS PER CWT.			
MILK PRICES 5/					
CLASS III 6/	10.63	14.94	14.94	13.40-13.90	13.80-14.20
CLASS IV 6/	10.05	12.48	12.48	12.30-13.00	12.35-12.95
ALL MILK 7/	11.91	15.63	15.63	14.60-15.10	14.85-15.25
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS 4/					
BUTTER	29	-7	-7	0	0
CHEESE	47	7	7	0	0
NONFAT DRY MILK	719	168	168	25	-20
DRY WHOLE MILK	0	0	0	0	0
	QUARTERLY 8/			ANNUAL 8/	
	2005 I	2005 II	2005 III	2004	2005
MILK PRODUCTION	43.3	44.7	42.8	170.8	173.6
	DOLLARS PER CWT.				
ALL MILK PRICE 5/ 7/	15.65-15.85	14.05-14.55	13.75-14.55	16.03	14.55-15.15
CLASS III PRICE 5/ 6/	14.30-14.50	13.00-13.50	12.85-13.65	15.39	13.45-14.05
CLASS IV PRICE 5/ 6/	12.45-12.75	12.00-12.70	11.90-12.90	13.20	12.15-12.95

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order minimum prices. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Paul Kiendl, FAS; James Miller, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-420, World Agricultural Outlook Board, USDA, March 10, 2005.

FEBRUARY MILK PRODUCTION

Milk production in the 23 major States during February totaled 12.2 billion pounds, down 0.7 percent from February 2004. However, production was 2.8 percent above last year after adjusting for the leap year. January revised production, at 13.3 billion pounds, was up 1.5 percent from January 2004. The January revision represented an increase of 0.2 percent or 29 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,516 pounds for February, 15 pounds below February 2004.

The number of cows on farms in the 23 major States was 8.07 million head, 23,000 head more than February 2004, but 9,000 head less than January 2005.

FEBRUARY 2005 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2004	2005	2004	2005	2004	2005	% CHANGE FROM 2004 3/
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	155	164	1,960	1,840	304	302	-0.7
CA	1,706	1,742	1,675	1,635	2,858	2,848	-0.3
CO	100	99	1,680	1,720	168	170	1.2
FL	139	139	1,415	1,460	197	203	3.0
ID	412	437	1,660	1,660	684	725	6.0
IL	108	105	1,520	1,500	164	158	-3.7
IN	145	154	1,565	1,510	227	233	2.6
IA	195	187	1,590	1,580	310	295	-4.8
KS	112	108	1,545	1,570	173	170	-1.7
KY	111	110	1,035	1,020	115	112	-2.6
MI	299	306	1,660	1,640	496	502	1.2
MN	465	455	1,415	1,405	658	639	-2.9
MO	124	117	1,185	1,220	147	143	-2.7
NM	326	320	1,660	1,560	541	499	-7.8
NY	660	650	1,400	1,415	924	920	-0.4
OH	259	267	1,370	1,370	355	366	3.1
OR	119	120	1,475	1,460	176	175	-0.6
PA	564	560	1,425	1,420	804	795	-1.1
TX	317	317	1,585	1,560	502	495	-1.4
VT	145	143	1,435	1,430	208	204	-1.9
VA	105	105	1,320	1,360	139	143	2.9
WA	240	235	1,790	1,820	430	428	-0.5
WI	1,245	1,234	1,405	1,390	1,749	1,715	-1.9
23 STATE TOTAL	8,051	8,074	1,531	1,516	12,329	12,240	-0.7

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

3/ Unadjusted for leap year.

SOURCE: "Milk Production," Da 1-1 (3-05), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, FEBRUARY

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for February have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During February, about 6.9 billion pounds of milk were received from producers. This volume of milk is 24.0 percent lower than the February 2004 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +2.3 percent.) About 3.5 billion pounds of producer milk were used in Class I products, 3.2 percent higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 51%, Class II = 16%, Class III = 17%, and Class IV = 16%. The weighted average statistical uniform price was \$15.16 per cwt., \$0.47 lower than last month, and \$1.94 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF FEBRUARY 2005										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR <u>3/</u>	TOTAL	CHANGE FROM PREV. YEAR <u>3/</u>	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,807.4	-1.5	839.2	4.9	47	19	22	12	15.51
Appalachian (Charlotte)	005 <u>4/</u>	490.1	-2.5	329.8	-1.3	67	16	4	13	15.90
Southeast (Atlanta)	007	601.9	-0.5	367.2	4.1	61	13	10	16	15.80
Florida (Tampa)	006	264.7	10.0	209.5	6.3	79	7	10	4	17.08
Midwest (Cleveland)	033 <u>4/</u>	1,189.8	-12.5	511.3	3.6	43	19	31	7	14.71
Upper Midwest (Chicago)	030 <u>4/</u>	622.8	-66.8	348.8	1.8	56	20	5	19	14.52
Central (Kansas City)	032 <u>4/</u>	722.2	-35.7	338.4	2.2	47	17	20	16	14.50
Southwest (Dallas)	126 <u>4/</u>	562.3	-19.9	323.5	3.8	58	14	3	25	15.24
Arizona-Las Vegas (Phoenix)	131	232.6	-5.6	78.8	1.8	34	9	38	19	14.73
Pacific Northwest (Seattle)	124 <u>4/</u>	383.0	-31.7	159.8	0.6	42	8	3	47	14.04
ALL MARKET AVERAGE OR TOTAL	<u>3/ 4/</u>	6,877.0	-24.0	3,506.3	3.2	51	16	17	16	15.16

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Percent changes from the previous year are based on the same group of comparable markets—markets where the orders were in effect for both years. Excludes the Western Federal milk order which was terminated effective April 1, 2004. Percent changes also have been adjusted to account for the different number of days in the two periods.

4/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 2.5 billion pounds milk that normally would have been associated with these markets. In February 2004, the estimated not-pooled volume of milk was 160 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +2.3.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MARCH 14 - 18, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 03/11/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	249,550,943	-0-	811,723,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	249,431,895	-0-	858,114,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 14 - 18, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.8	43.3
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	54.0	2,903.4
CUMULATIVE JANUARY 1 - MARCH 18, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	28.5	1,554.1

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MARCH 14 - 18, 2005 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	8,105,567	4.2	3.3
WEST	-0-	-42,309	-0-	-0-	29,415,099	237,042,554	92.4	95.0
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.7
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	249,431,895	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2005 is 0 pounds.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 02/26/05 & Comparable Week 2004

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.7	N.A.	2.3	15.2	3.1	0.3	N.A.	13.2	2.5	44.2	438.2	48.4	49.3
2004-Dairy	0.1	0.7	N.A.	4.7	17.4	2.8	0.8	N.A.	12.8	3.0	52.4	452.2	52.4	49.5
2005-All cows	0.1	0.7	N.A.	10.3	29.2	11.2	11.7	N.A.	13.8	4.2	91.3	889.3		
2004-All cows	0.1	0.8	N.A.	9.1	27.2	14.8	15.2	N.A.	14.1	5.0	100.0	913.1		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13								
II	13.04	13.36										
III	14.14	14.70										
IV	12.52	12.74										

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm